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EXHIBIT

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HB

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HB 396 – The Predatory Lending Bill

Protecting Montana from Abusive Financial Practices

Deferred deposit (payday) loans and title loans are often portrayed as the last option for people with poor credit histories—giving them a borrowing option to get over hard times. Research and statistics show that this is absolutely not the case, and most payday and title loans companies are predatory and rely on repeat borrowers for nearly all of their income.

Background: HB 396, Capping payday and title loan interest rates at 36%

- **Montanans are caught in a debt trap:**

In Montana in 2007, lenders reported 180,031 payday loans issues at reported APRs ranging from 180% (Western Pawn Brokers) to 739% (Check into Cash MT). Advance America, a national payday lending chain based out of state loaned a total of \$4,639,440 in 18,140 loans at average APRs (dependent on location) between 520% and 613%.

- **Congress Capped the Rate for Military Personnel at 36%:**

In 2006, the United States Congress and the Department of Defense worked together to cap the payday lending interest rates for military members at 36% APR; acknowledging that the high interest rates charged by payday lenders are dangerous and a threat to American families.

- **Money is being shipped out of Montana:**

Most payday lenders are not owned by Montanans. Since 2007, 15 states have capped payday lending interest rates at 36%. This means that out of state companies are setting up stores in Montana, paying their employees low wages, then shipping the profits out of Montana. Payday lenders are taking money from the most vulnerable Montanans and siphoning it to wealthy out-of-state companies.

- **Payday and Title Loans are *NOT* the only way!**

There are currently 21 thriving credit unions in Montana that offer non-predatory payday lending alternatives. These credit unions prove that not only is it possible, but profitable, to have a small loan business model that does demand a debt trap.

- **Fifteen States have Capped the Rate:**

Currently, 15 states plus the District of Columbia have rate caps for all small loans, including payday loans. Moreover, the momentum is in favor of the rate cap; since 2007, Oregon, D.C., Arkansas, New Hampshire and Ohio have effectively capped interest rates at 36 percent APR or less. And for the first time voters have directly spoken in favor of a rate cap. The payday lenders put two pro-industry issues on the ballot in Ohio and Arizona in November and in both states, voters soundly rejected the payday lenders' attempt to repeal the rate cap in Ohio and extend the payday authorization law permanently in Arizona.

Protect Montanans from abusive financial practices – support HB 396.

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In 2007, the Department of Defense made it illegal to offer a service member any payday, title, or refund anticipatory loan above 36%.



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In 2007: "It's a big problem for commanders, because what happens is often these households get themselves in over their heads," said David S. C. Chu, under secretary of defense for personnel and readiness. "They're \$200 short between now and next payday, but they're no better off when payday comes, so they need a bigger loan, and it just goes downhill from there."

"We equate financial readiness with mission readiness," Chu said. "This is part of a larger effort to create a culture that encourages our service members and their families to develop sound financial strategies. Preparing for emergencies is an important step forward and vital to avoiding predatory practices and a cycle of debt."¹

In 2006: "The Report On Predatory Lending Practices Directed at Members of the Armed Forces and Their Dependents" notes that as many as one in five servicemembers are falling prey to loan centers near military bases.

"It estimates that 13 to 19 percent of military people took out high-interest, short-term loans last year — typically borrowing about \$350 a pop at interest rates of 390 percent to 780 percent."²

December 23rd, 2008: "Predatory lending also has been a problem, but seems to be decreasing through educational outreach to servicemembers and passage of a federal law last year to curb it, officials said."³

¹ <http://www.defenselink.mil/releases/release.aspx?releaseid=11369>

² <http://www.defenselink.mil/news/newsarticle.aspx?id=668>

³ <http://www.defenselink.mil/news/newsarticle.aspx?id=52455>